

# WEST Search History

DATE: Sunday, June 09, 2002

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result set

*DB=USPT,PGPB,JPAB,EPAB; PLUR=YES; OP=ADJ*

L1      bid same (stock or share or equity or ipo) same investor

29      L1

END OF SEARCH HISTORY

3/7,K/3 (Item 3 from file: 9)  
DIALOG(R)File 9:Business & Industry(R)  
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02382803 (THIS IS THE FULLTEXT)

Revolution or evolution? W.R. Hambrecht & Co. brings underwriting to the Internet

(WR Hambrecht, investment banker, plans to offer initial public offerings for clients directly on the Internet)

The IPO Reporter, v 23, n 7, p 4

February 15, 1999

WORD COUNT: 641

TEXT:

By Steve Lacey

In a dramatic maneuver this past week, W.R. Hambrecht unveiled plans to bring the marriage of the Internet and the underwriting of IPOs full circle. Instead of relying on Internet stocks to carry the IPO market, W. R. Hambrecht will underwrite stocks on the Internet, for the first time giving all investors equal access to IPOs by taking advantage of the auction model that has proven so successful on the new medium.

Using a "Dutch auction" format, the fledgling investment bank intends to carve out a niche for itself by taking advantage of the new medium to allocate shares to the highest bidders in its lead managed IPOs. Under its "Open-IPO" program, bidders submit minimum bids on for a specific number of shares with any of five eligible brokers

- Boom Securities, Lombard Securities, Philadelphia Corp., Tradestar Express and W.R. Hambrecht Institutional. The offering price and allocation are determined by the minimum bid under which all shares can be sold.

But, with firms such as DLJdirect, E\*Trade Securities, and Wit Capital already gaining IPO access for their customers, is an auction process as revolutionary as it immediately seems? Or, is it simply further evidence of the Internet's evolution into yet another traditional money center of investment banking? Depending upon whom you ask, decidedly different responses are elicited.

"I think everybody respects Bill Hambrecht and will take what he does very seriously," said the head of one syndicate desk. "W.R. Hambrecht is addressing the needs of the amateur investor, not the professional investor," countered Richard A. Smith, managing director of equity syndication at NationsBanc Montgomery Securities. "However, of all the people who have been talking about underwriting stock over the Internet, only Bill Hambrecht and Ian Zwicker (current president and former co-head of technology banking for Donaldson, Lufkin & Jenrette) have any investment banking background."

Unlike traditional investment banks, W.R. Hambrecht does not plan to offer proprietary research on any of the companies it underwrites. Instead, the firm will outsource its research to San Francisco-based Odyssey Ventures. Some have also questioned the firm's ability to provide support for its offerings in the aftermarket.

One thing that is clear to all participants, however, is that auction-based business models like eBay (NNM:EBAY) and uBid (NNM:UBID) have not only garnered success in the marketplace but have also proven to be viable

operating entities. While it appears clear that the news is unlikely to rock Wall Streets foundations, an auction process for underwriting new issues will likely find a home with new investors and could ultimately prove to provide a more lucrative, stable environment for smaller companies than the traditional underwriting model does.

"Ideally, you're placing the stock in the hands of those investors that truly want to hold onto it as a long-term investment," noted one market observer.

For example, Ravenswood Winery (NNM:RVWD), the firms first underwriting effort, would likely be too small to attract attention from larger underwriters. Over the six months ended Dec. 31, 1998, the California producer of premium wines posted a net income of \$2.3 million on revenues of just \$12.2 million.

With Ravenswood Winery selling 21.9% of its outstanding share base in the offering, the company is able to maximize the proceeds raised through an initial public offering rather than having to rely on a secondary offering to gain additional capital. Moreover, by leveraging the efficiencies of the Internet, the investment bank promises to wring more from the offering than would a traditional investment bank. Under the new model, the underwriting fees will be lowered to 3% to 5% from the 6% to 7% typically charged.

Bidding on the Ravenswood Winery's one million share offering began last Monday and will extend through at least March 22. In the future, W.R. Hambrecht will underwrite stock offerings primarily within three industry groups: software, the Internet and branded consumer products.

Set	Items	Description
S1	674	INTERNET (S) (VENTURE OR TECHNOLOG?) (S) EQUITY (S) INVEST- MENT
S2	370	ALLOCATE (10W) SHARES
S3	3	S1 AND S2

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